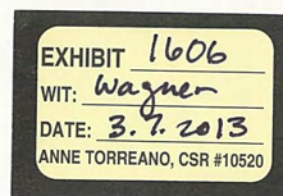


**EXHIBIT 1606 TO  
CISNEROS DECLARATION  
REDACTED VERSION  
(PART 1 OF 2)**

# Comp Basics for Recruiters

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## Objectives

Go gle

- 1) Provide recruiters with a strong foundational knowledge of compensation at Google
- 2) Prepare recruiters for common comp-related questions, objections and circumstances that they may encounter while working with a candidate
- 3) Increase transparency of Google's compensation philosophy and processes
- 4) Encourage broader recruiter collaboration with compensation team

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## Course Overview

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- ✓ Philosophy
- ✓ Compensation Components
- ✓ Comping an Offer
- ✓ Miscellaneous
- ✓ Objections and Rebuttals
- ✓ Contacts

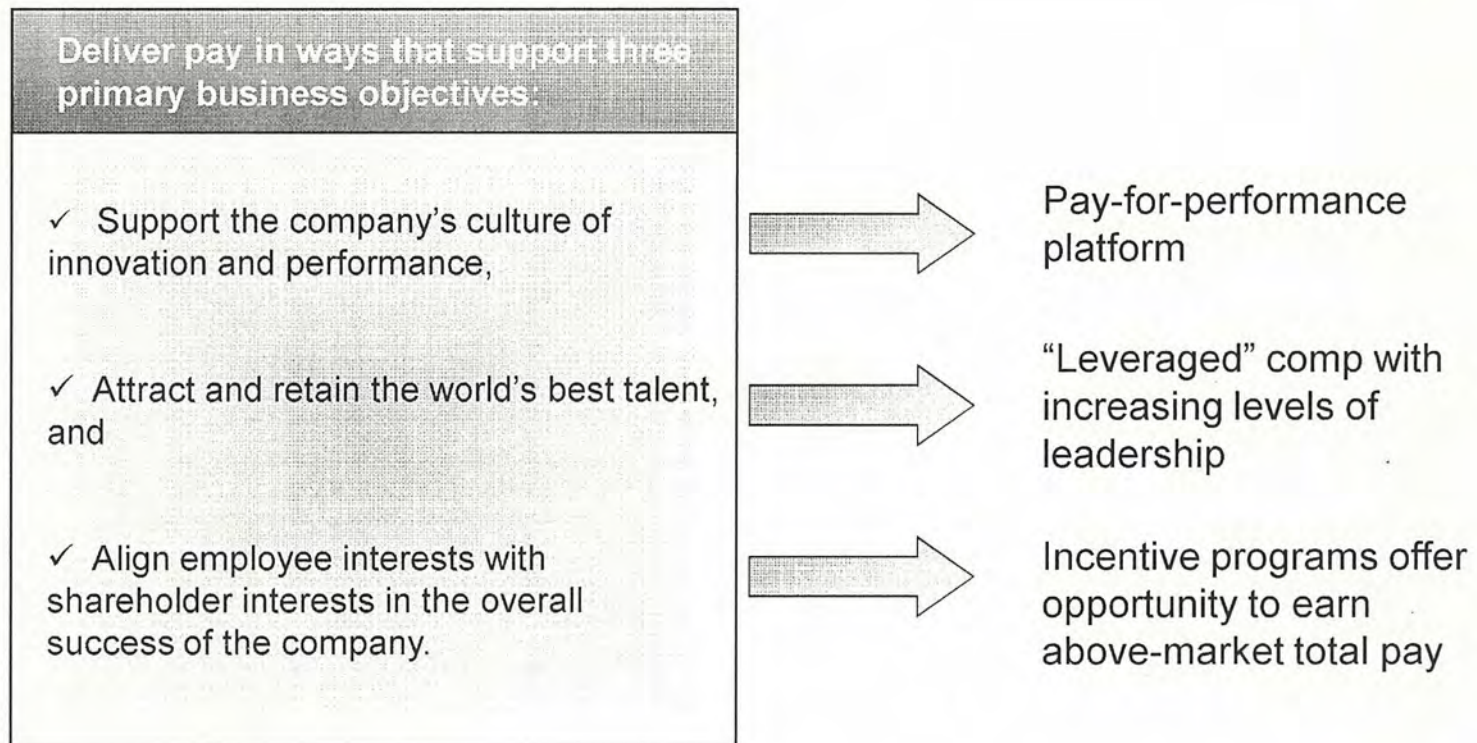
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# Compensation Philosophy

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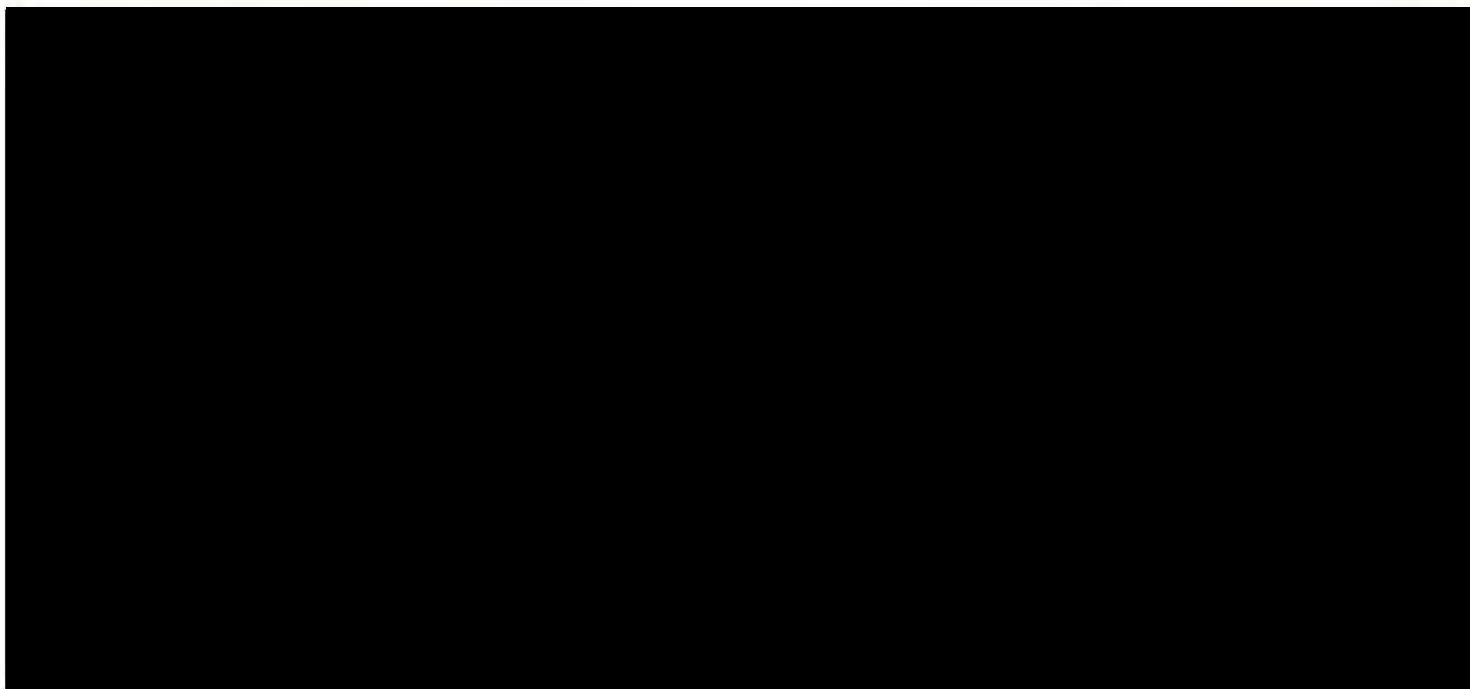


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# What's our pay history?

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*Target market pay rates have changed with growth*



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# Total Remuneration Value Proposition

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Google aims to be very competitive on total reward – most people experience a change in pay mix, resulting in larger total remuneration packages

		REWARD ELEMENT	OBJECTIVE
	TOTAL REWARD	WORK CONTENT, ENVIRONMENT & CULTURE	Build one of the most intelligent, highly motivated groups of employees in the world and foster a flat, collaborative work environment. Provide ongoing exposure to interesting and challenging work
	TOTAL REMUNERATION	BENEFITS	Be a market leader in indirect awards in a way that adds meaningful value to employees' personal and professional lives
	TOTAL DIRECT PAY	EQUITY	Provide all employees with an ownership stake in the company's future performance, AND "meaningful" future value at grant
	TOTAL CASH	BONUS	Above-market highly leveraged short-term cash incentives that reward individual contributions rather than tenure or roles
		BASE	Competitive base salaries

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# Total Remuneration Value Proposition

Go gle

Google aims to be very competitive on total reward – most people experience a change in pay mix, resulting in larger total remuneration packages

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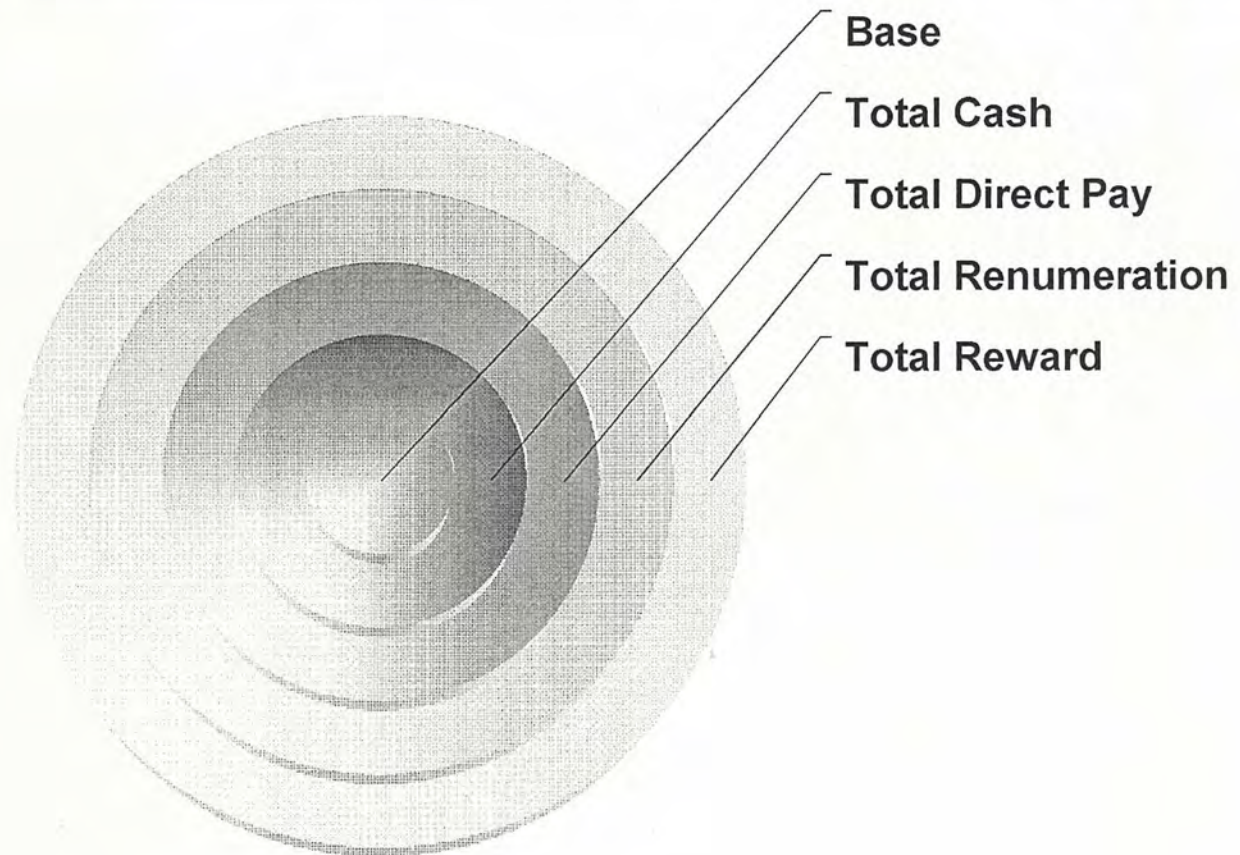
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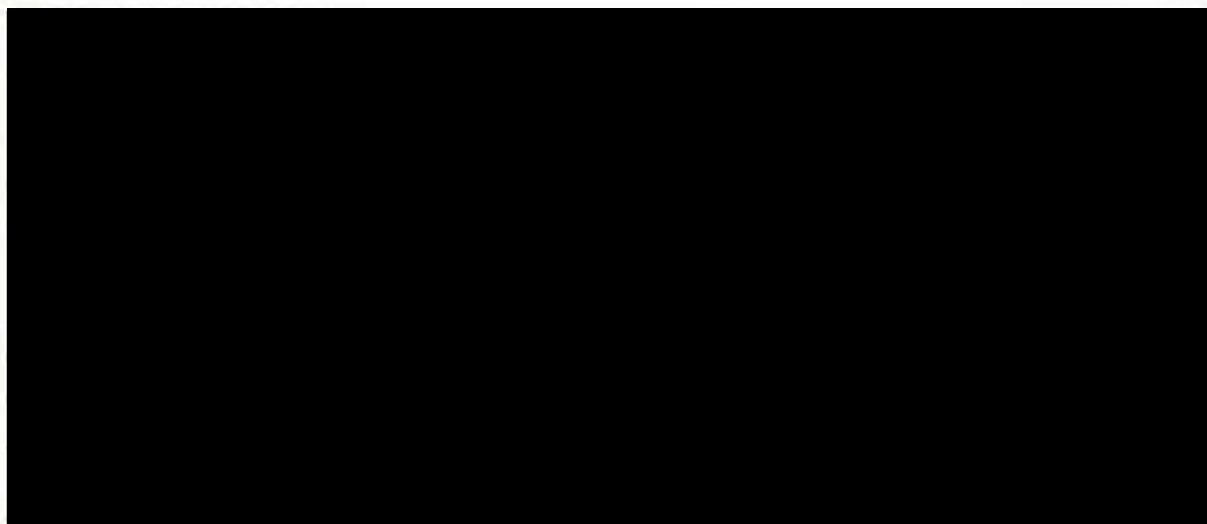
How do we think about total direct compensation?

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Total Compensation = Salary + Bonus + Stock

Target

Actual  
upside



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# Compensation Components

## Setting a Base Salary



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## Compensation Components

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- Base Salary
  - Benchmarking
  - Leveling
  - Proposing a Base
- Bonus Programs
  - Company Bonus Program
  - Sales Incentive Program
- Long Term Incentives
  - Stock Options
  - Google Stock Units (GSUs)
- Sign-on Bonus and Relocation

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## Benchmarking Overview

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What is Google's intended position relative to market (non-sales)?

- [REDACTED] percentile for each element of pay - base salary, incentive and equity compensation

How do we measure the market?

- Salary surveys
- Informal/Anecdotal sources
- Peer comparator companies

- [REDACTED]

How do we compare jobs to the market?

- Functionally
- Scope factors (role complexity, domain expertise, span of control, etc.)
- Geographically

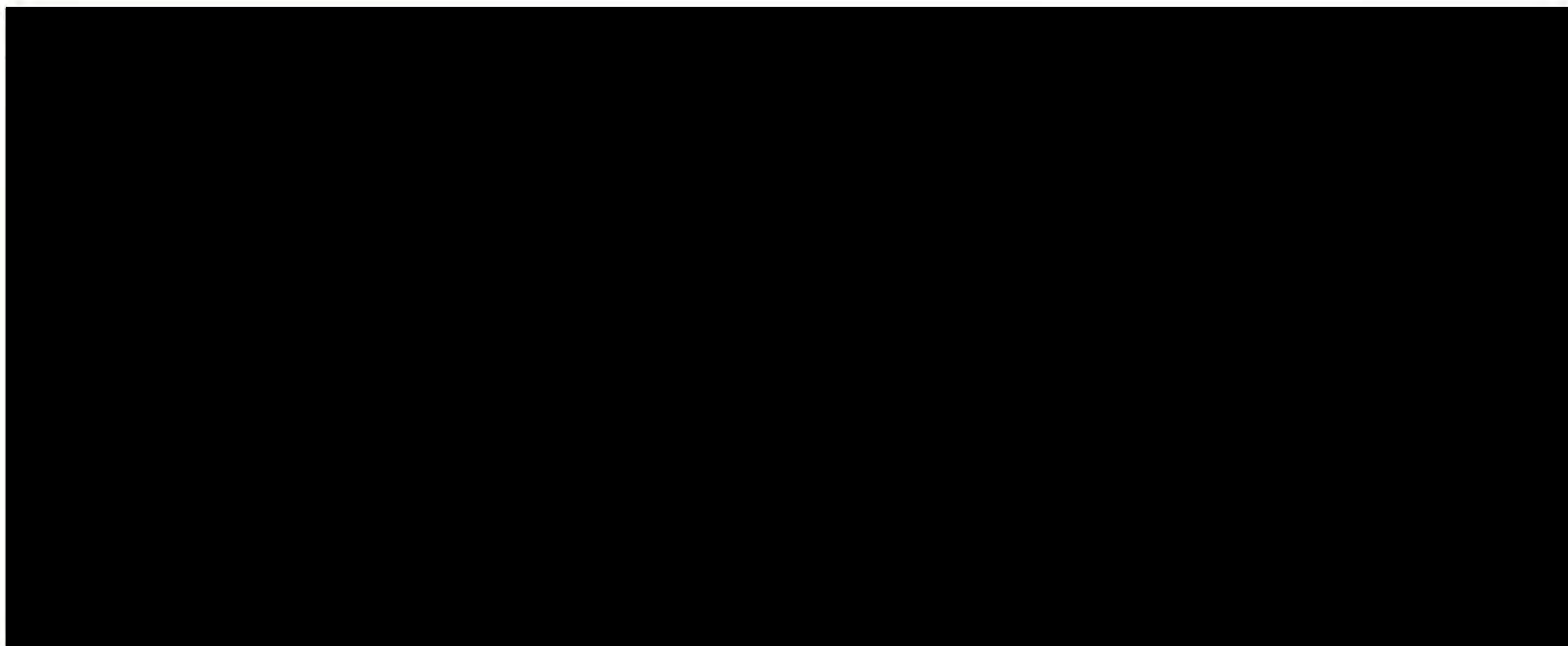
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## Benchmarking Process

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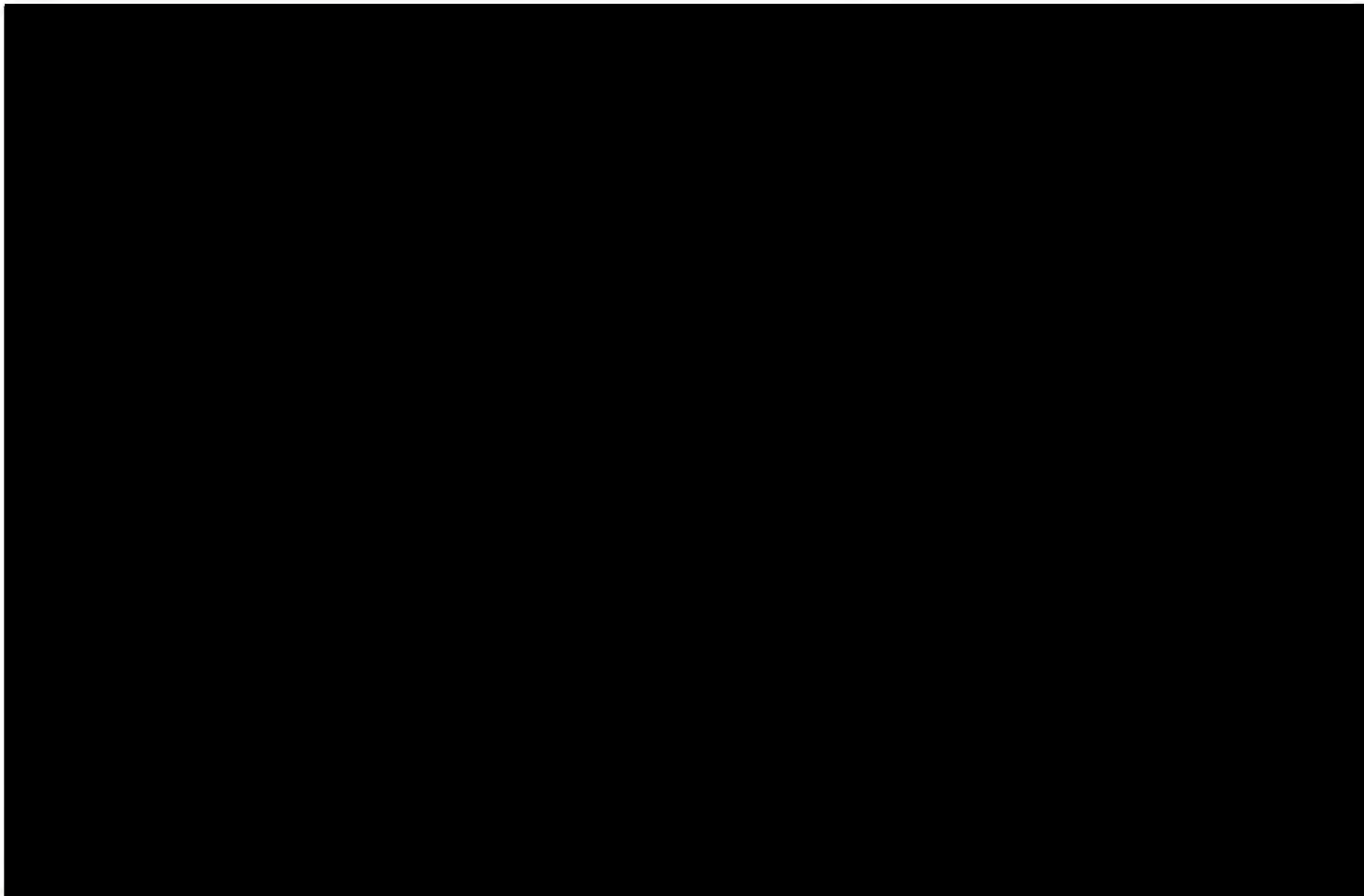
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## Benchmarking Philosophy

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## Leveling

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When leveling a job Google aims to be internally consistent and externally competitive. Google levels jobs, not people.

- Factors

- [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

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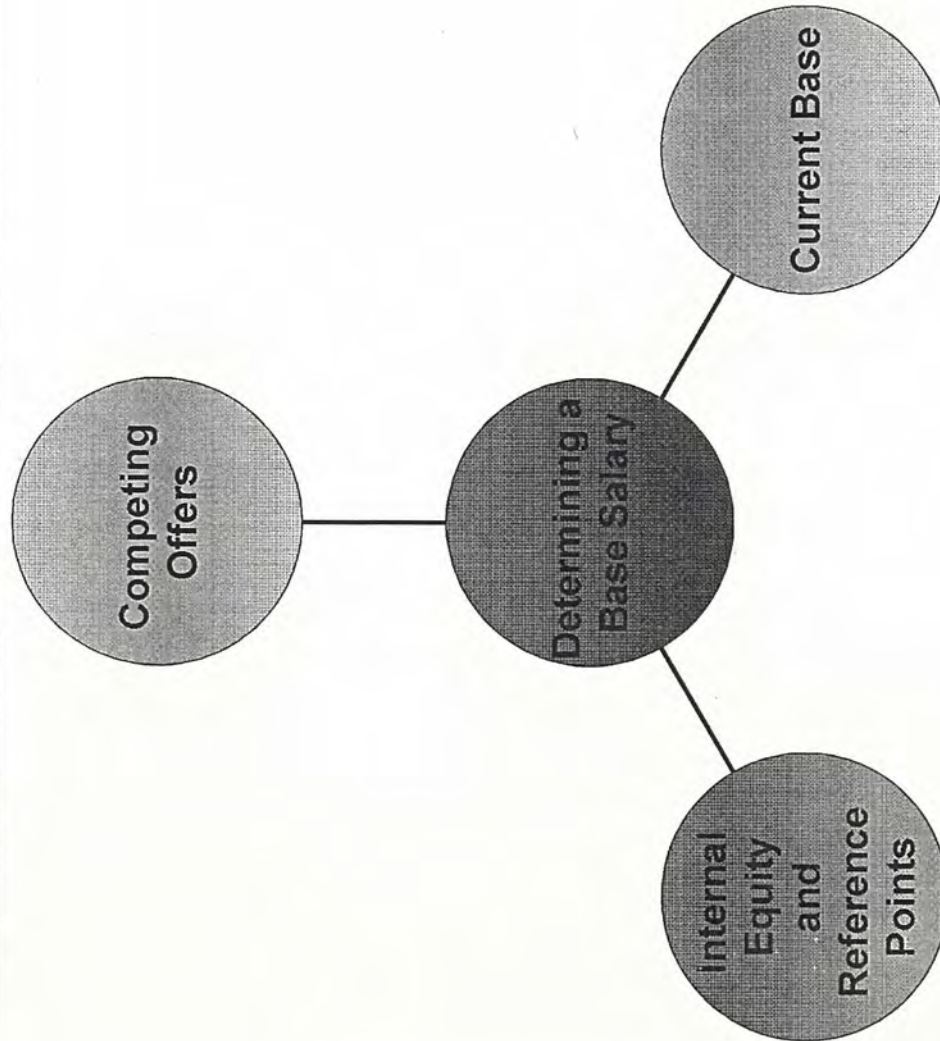
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# Base Salary

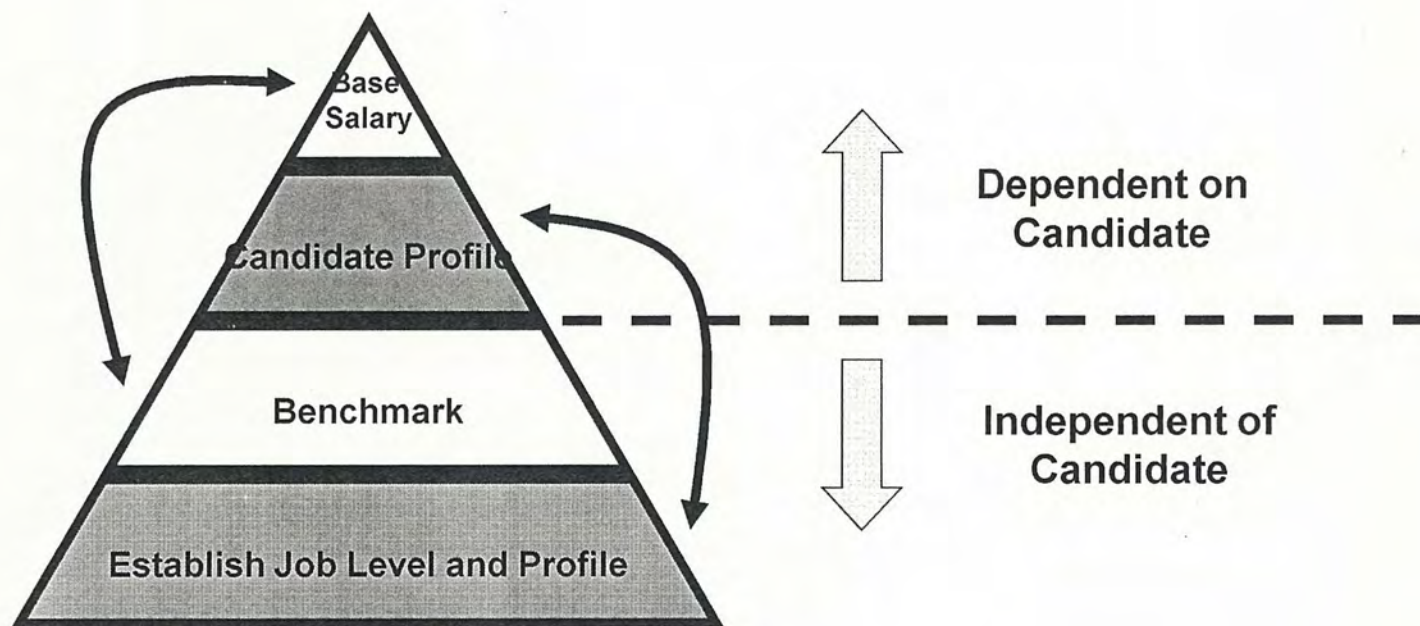
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## Comping an Offer

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Process for leveling brand new job?

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# Compensation Components

## Bonus Programs



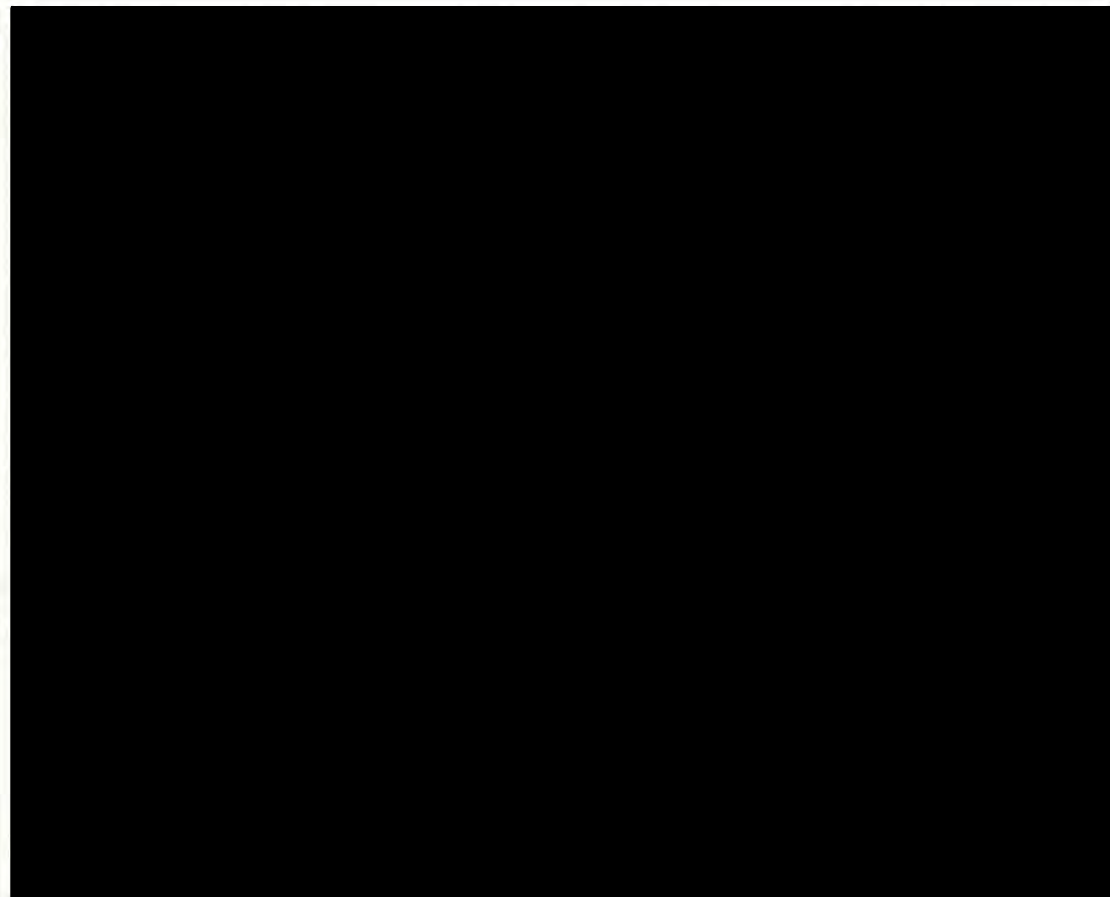


# Company Bonus Program

Go gle

On the  
Company  
Bonus  
Program

On Sales  
Incentive  
Program



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## Company Bonus Program

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Google offers above-market target cash incentives and an opportunity to earn up to [REDACTED] ...



b)

(Percentages shown reflect percent of salary)

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# Company Bonus Program

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## Company Bonus Plan Mechanics:



## Calculation Detail:



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# Annual Review

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- Salary Review

- Takes place in November
- Opportunity for increase is based on performance and current pay relative to desired market position for role.

- Annual Bonus

- Bonus calculation decisions made in February
- Paid out in March
- Based on Performance
  - OKRs
  - Metrics
  - Calibration scores

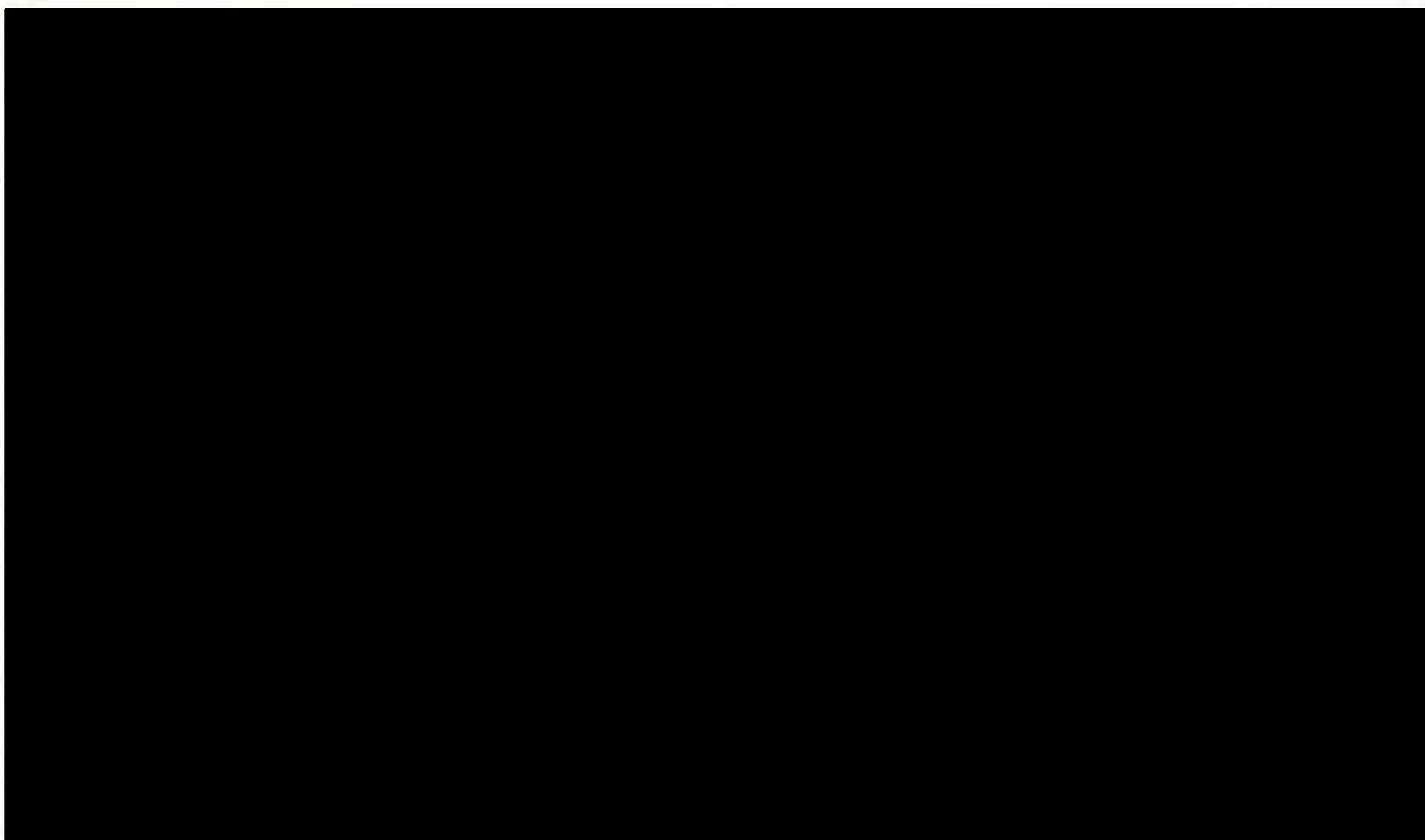
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## Company Bonus Payout

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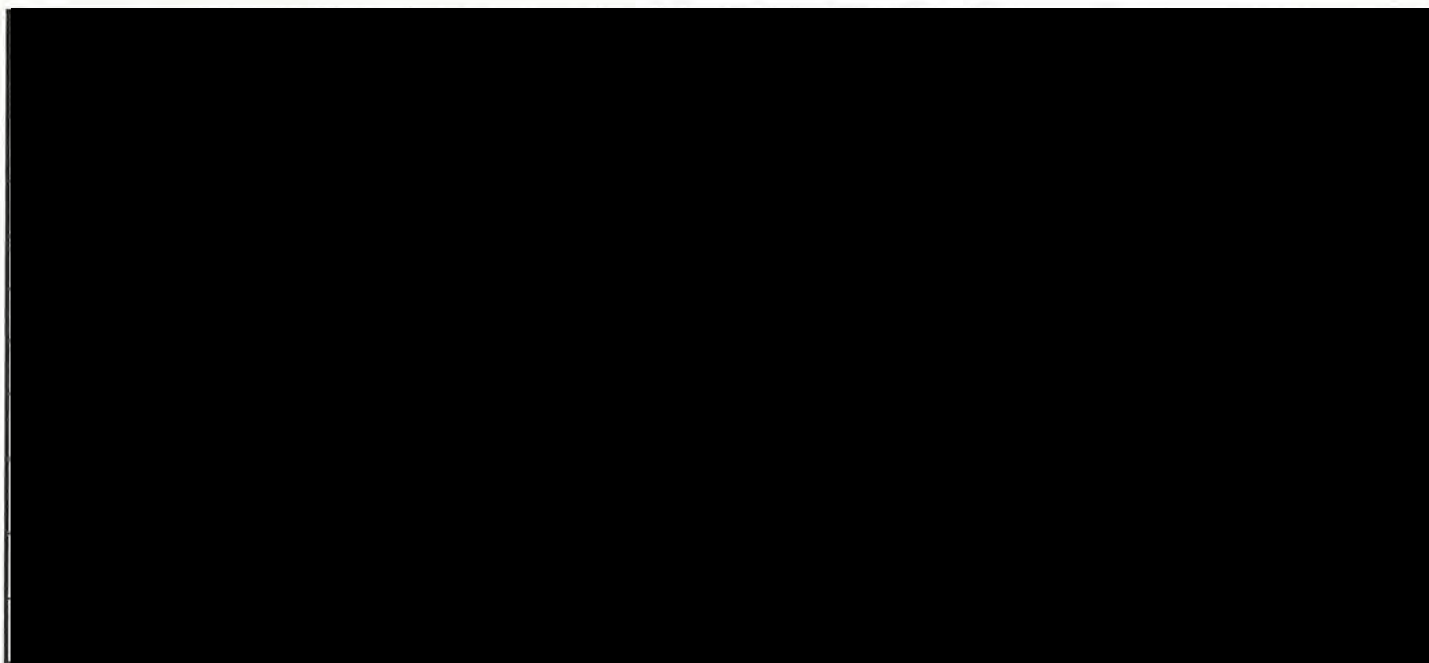
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# Sales Incentive Program

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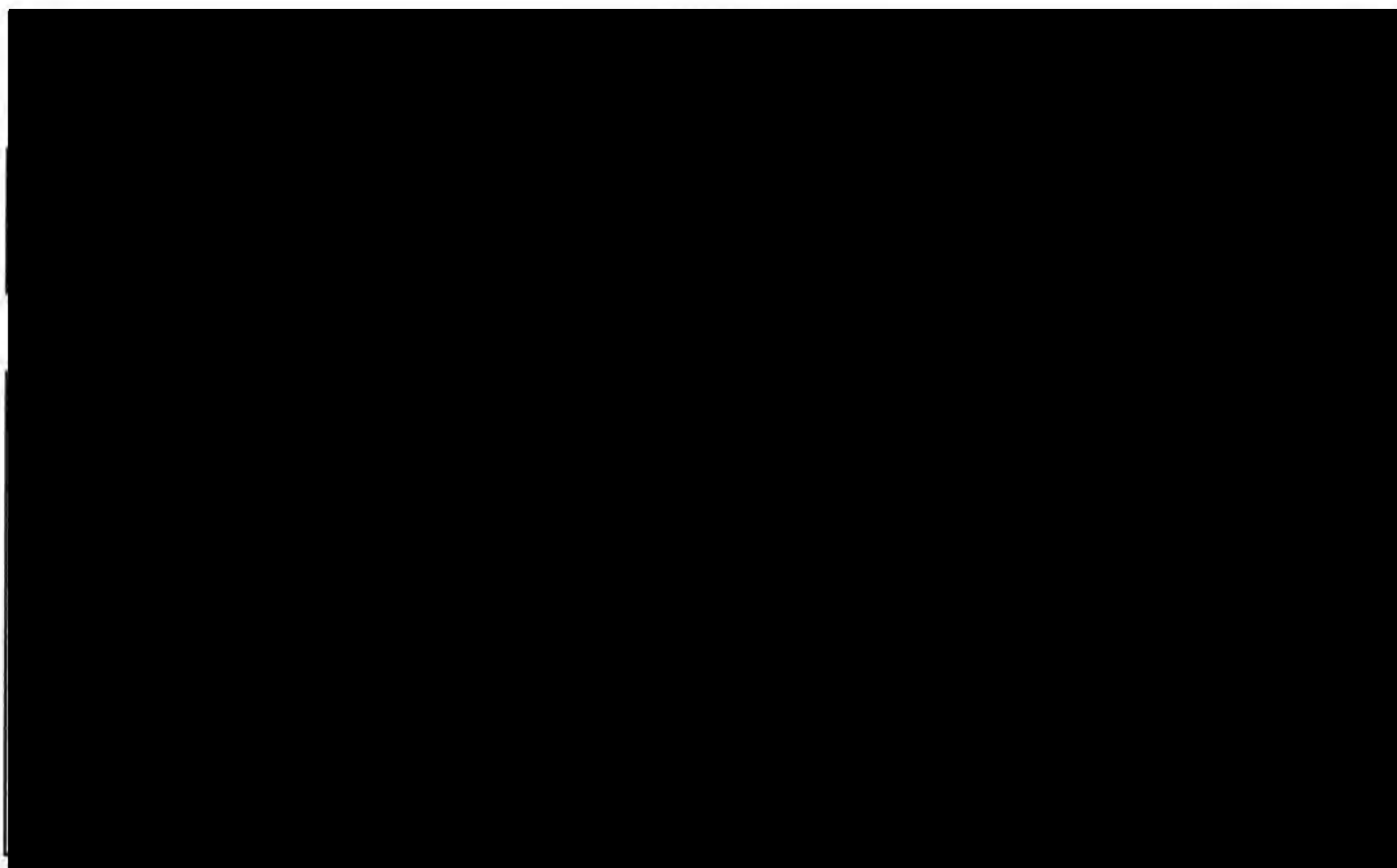
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## Sales Incentive Program

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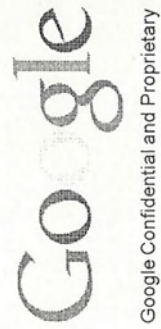
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# Compensation Components

## Long Term Incentives





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## Stock Options Overview

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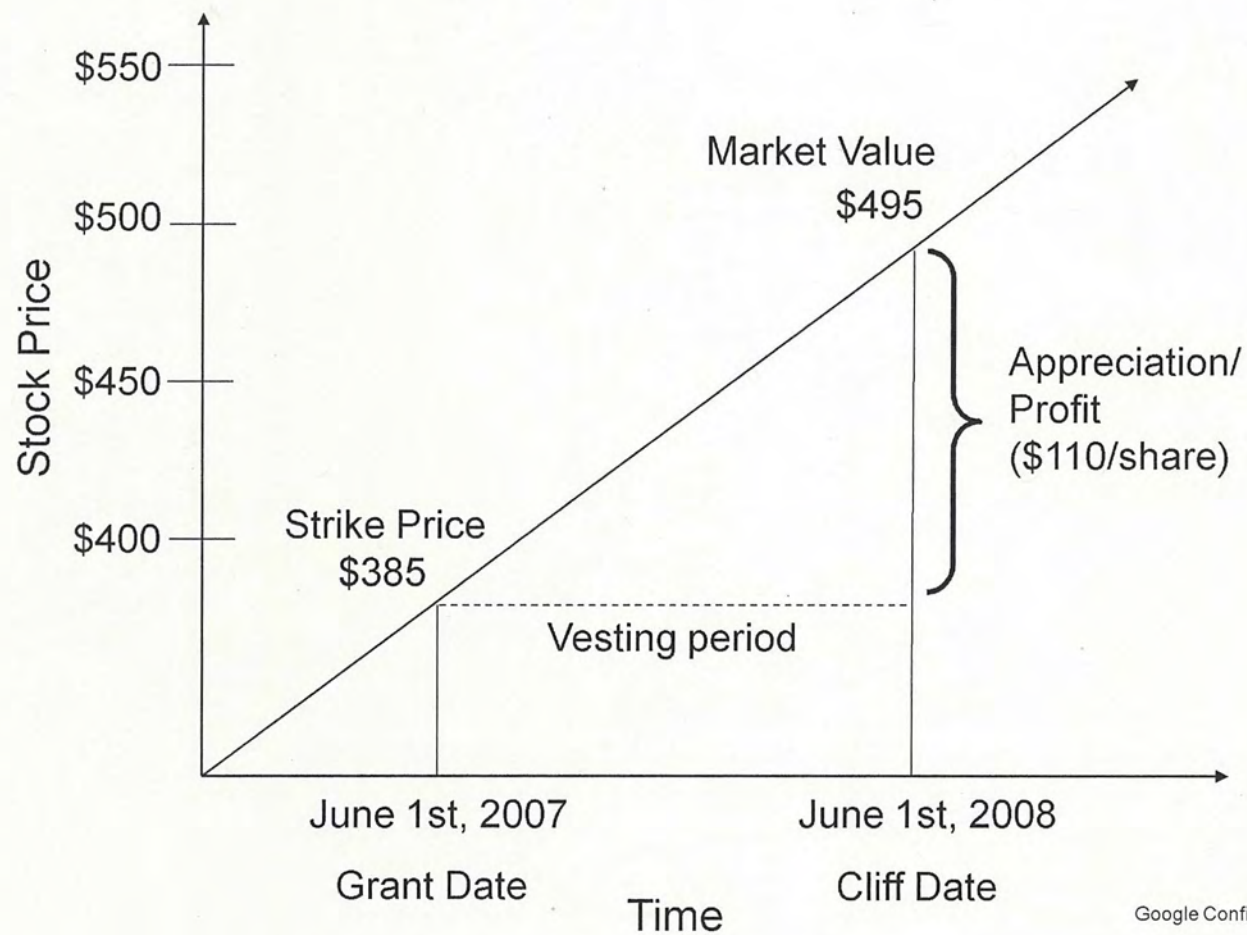
- A stock option is a securities contract that gives the holder (the “Optionee”) the right to purchase a set number of shares of the Company’s Common Stock at a fixed price (the “strike price”).
- There are two primary kinds of stock options:
  - Non-statutory stock option (NSO)
  - Restricted Stock Option (RSO)
- The **strike price**, or exercise price is based on the value of the stock on the day the option was granted.
- You don’t own any stock until you exercise your Stock Options, which means that you have purchased the shares.

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## Glossary

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## Stock Options vs. GSUs

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### Stock Options

- Vest over a four year schedule
  - 1 year cliff before 25% vest
  - Remaining shares vest at 1/48 of grant per month
- Holder **only** realizes a gain if the stock increases in value
- Awards based on level, location, and EMG grade.

### GSUs

- Vest over a four year schedule
  - 1 year cliff before 25% vest
  - Remaining shares vest at 25% per year
- Holder receives the full value of the stock regardless of whether stock increases or decreases in value
- Awards based on level, location, and EMG grade.

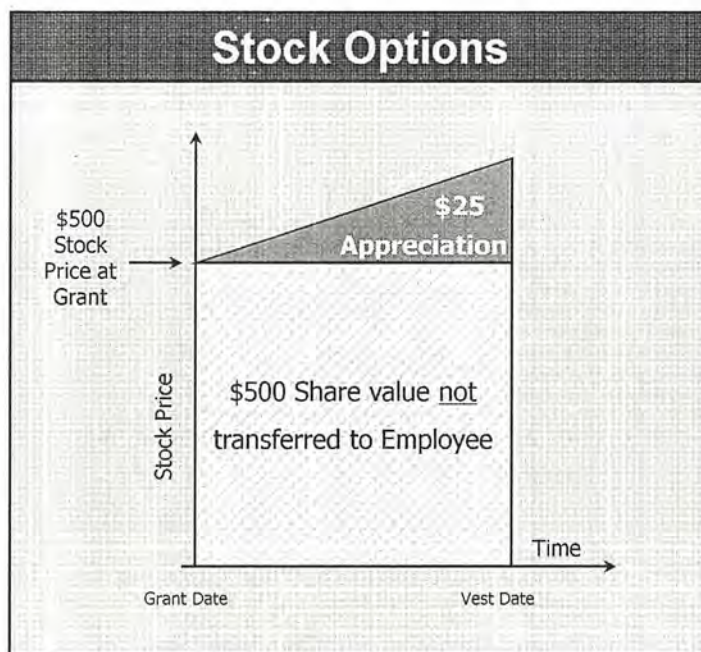
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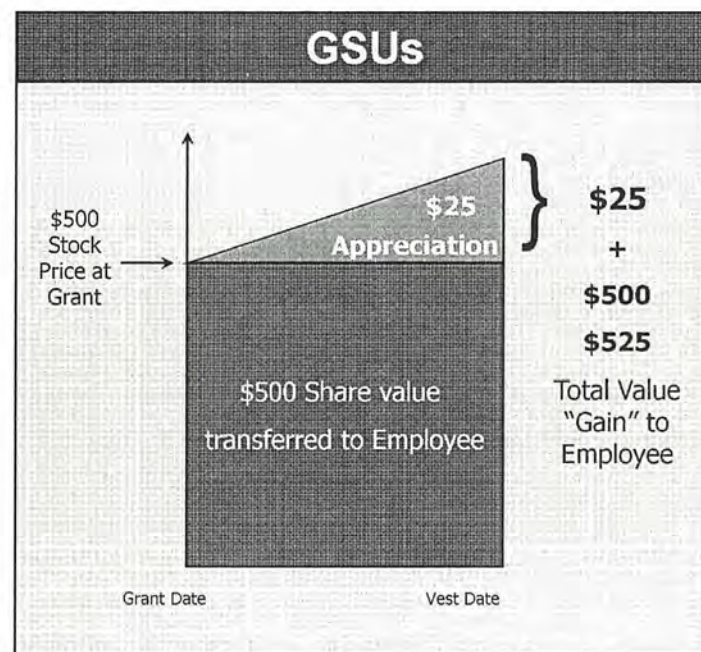


# Stock Options vs. GSUs

Go gle



- Stock price must go up for employee to realize a “gain”
- Gain is equal to the future stock price minus the stock price at grant



- No stock price movement is necessary for employee to realize a “gain”
- Gain is equal to the full price of the stock on the day of vest

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# Stock Options vs. GSUs

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What about US tax treatment?

Stock Options	<ul style="list-style-type: none"> <li>Gain to the employee is taxed as ordinary income <u>when the options are exercised</u></li> <li>Upon sale of acquired shares, any further appreciation is taxed at applicable capital gains rates</li> </ul>
GSUs	<ul style="list-style-type: none"> <li>Gain to the employee (i.e., full share value + appreciation/depreciation) is taxed as ordinary income <u>when the units vest</u> <ul style="list-style-type: none"> <li>➤ Shares are granted net of tax withholding as shown: <div data-bbox="694 901 1398 1109" data-label="Equation-Block"> <math display="block">  \begin{array}{ccccccc}  \text{Total GSUs Vested} &amp; &amp; \text{Gross Shares Granted} &amp; &amp; \text{Employee Income Taxes Withheld} &amp; &amp; \text{Final Shares Acquired} \\  \boxed{25 \text{ GSUs}} &amp; = &amp; \boxed{25 \text{ Class A Google Shares}} &amp; - &amp; \boxed{11 \text{ Class A Google Shares (Rate = 42.93\%)}} &amp; = &amp; \boxed{14 \text{ Class A Google Shares}}  \end{array}  </math> </div> </li> </ul> </li> <li>Upon sale of acquired shares, any further appreciation is taxed at applicable capital gains rates</li> </ul>

**Note: Tax treatment varies by country**

***... however, Google cannot offer tax advice and managers should direct candidates to their own tax advisors***

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## Stock Options vs. GSUs

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Google's new hire grants will be a combination of both stock options and GSUs

Why?

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Note that programs may vary by country

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# New Hire Grant Program

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		Vested Gain After ONE Year (Assuming Annual Growth Rate)				Total Gain Realized Over FOUR Years* (Assuming Annual Growth Rate)				
	Number Granted	Example Stock Price at Grant	5%	10%	15%	20%	5%	10%	15%	20%
Example NEW Google Grant Guideline										
Sample Company A Competing Offer										
Options	2,000	\$ 20.00	\$ 500	\$ 1,000	\$ 1,500	\$ 2,000	\$ 5,256	\$ 11,051	\$ 17,424	\$ 24,416
Sample Company B Competing Offer										
Restricted Stock	1,000	\$ 20.00	\$ 5,250	\$ 5,500	\$ 5,750	\$ 6,000	\$ 22,628	\$ 25,526	\$ 28,712	\$ 32,208

\*Assumes annual exercise/settlement of vested gain.

**Don't let candidates get caught in the trap of comparing number of options/units alone!**

Candidates should consider growth scenarios and compare offers on that basis

- We have provided recruiters with a modeling tool to facilitate these comparisons
- Candidates must make their **OWN** growth assumptions; Google cannot offer guidance on probable growth rates for any company

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## Transferable Stock Option (TSO) Program

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- Program launched April 2007
- TSOs are nonqualified stock options that may be sold (upon vest) to financial institutions through an online auction.
- Allows employees to capture the "intrinsic value" (market price – strike price) and "time value" of their options.
- Banks may be willing to pay a premium for increased future profits through hedging.
- Bid price will depend on the strike price, current Google market price, volatility of stock, current interest rates, the life of the option, and market conditions

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## TSO Program

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### How are options valued?

- Institutional investors will pay the full “fair value” today for the rights to purchase both the:
  - Intrinsic value of options (“in the money” value), *and*
  - Time-value of options (potential future upside)
- However, employees may only sell up to **two years** of the remaining option life
  - There is always an incentive to continue holding options
- Time value becomes more tangible to employees
  - Every option held is an option valued
  - Black-Scholes models become more relevant

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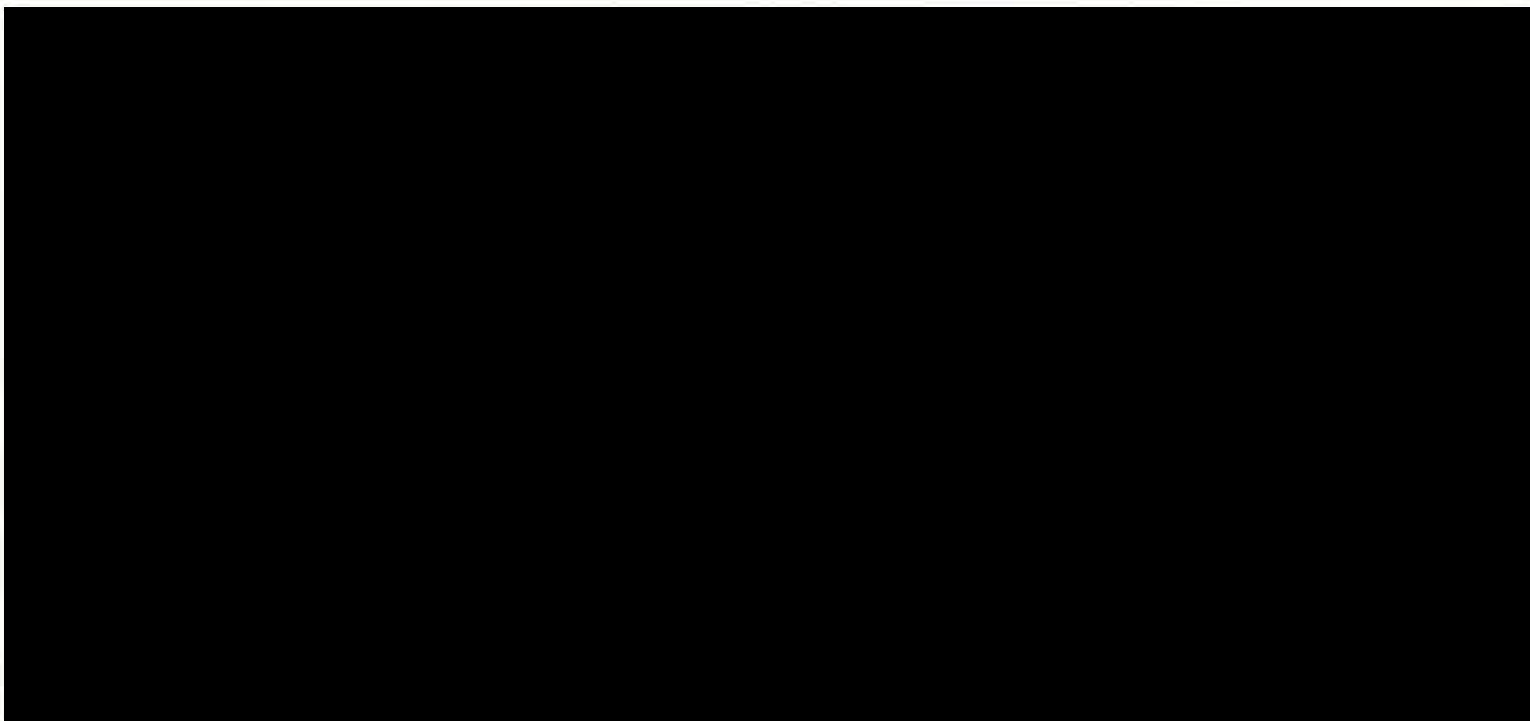
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TSOs

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How might TSO values look to employees?



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/ bbl.37

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## TSO Program

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**How much are TSO's selling for?**

Sample trading data from Q2:

TSO Trading History Data as of 24-Apr-07					
Option Strike Price	n	Intrinsic Option Value	TSO Option Value	Additional Value from TSOs	%
					

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## TSO Example

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- Tom and Sally each own 100 options with a strike price of \$400 per share
- All options are vested
- Google market price is currently \$500.

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## TSO Resources

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MOMA: Frequently Asked Questions

Video: TSO Video

Blog: TSO Blog

Marketwatch: Examples

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